

SB 175 Student Achievement Funding Bill

A balance between permissive school taxpayer relief and programs targeted at improving student opportunity

- **Funding and flexibility for student achievement while ensuring equity and adequacy: (attachment 1)**
 - Inflation of .89% and 2.08% (attachment 2)
 - The inflation formula required this year by statute
 - Data for achievement payment, \$20 per ANB
 - Empowers schools to act as the customer (bottom up) rather than a top down design by funding OPI as we have done in the past.
 - Funds "data to the desktop" to provide the teacher with real time information to improve student achievement from the remedial to the gifted.
 - Empowers local and parental control through the creation of a data system that provides timely real time info.
 - Ensures a well-received system through the creation of a stakeholders group of administrators, trustees, parents, legislators, and teachers.
 - Basic entitlement per school unit changes (attachment 3 and 4)
 - Helps mitigate an equity concern
 - Good for larger schools with second and subsequent entitlement
 - Good for rural schools with increase in first entitlement
 - Elementary \$23,595 to \$50,000 subsequent every 250 students
 - Middle School \$66,816 to \$100,000 subsequent every 400 students
 - High School \$262,244-\$300,000 subsequent every 800 students
 - **The above elements bring schools back to nearly the actual rate of inflation.**
 - Compresses funding lag for unusual enrollment increases for rural (4%) and larger (25 student) school districts (attachment 5) ~Amendment 4%/40 students
 - Necessary to address rapid population changes; such as Billings, Glendive
 - Creates opportunity for accelerated learning of students by eliminating seat time penalties
 - High performing schools have increased flexibility
 - Schools will not lose accreditation unless they fail both the Input and Output requirements.
 - Increased budgeting flexibility for districts with protection for taxpayers
 - Total taxes are unchanged with authority for districts to increase over BASE general fund levy while reducing other taxes.
 - First time ever empowers trustees to make the decision as to a choice between budgeted accounts.

- **Statewide permanent tax relief: (attachment 6 and 7)**
 - Reduce base taxes by \$24 million per year over levels without the bill and \$19.4 million less than current law even with the increases in SB 175.
 - Tax relief is guaranteed to be at least as large as FY14 levels under the bill.
 - Funded by oil and gas receipts in known amounts
 - School property taxes have grown at 2X the rate of inflation since 1991
 - School consume 3X the property tax over the income tax
 - Formula is well designed to limit variability
 - *Amendment to Tax Freeze*

- **Tax relief and impact mitigation dollars for oil and gas impacted areas: (attachment 8)**
 - Re-devotes oil and gas to school districts with oil and gas impacts but without oil and gas revenues to ensure against increases in property taxes in such areas and to allow students to be effectively served in such areas
 - Effectively increases the flexibility with which schools can lever their oil and gas production dollars.
 - In areas of unusual enrollment increase provides an educational relevant mechanism for retaining additional building dollars.
 - Creates a concentric circle effect where oil and gas dollars flow outward from areas of development to encompass areas of impact.
 - Fixes a flawed mechanism from last session that will allow, if funds are sufficient, for an oil and gas impact fund to distribute money to Districts that have limited oil in their budget (less than 20%) to mitigate impacts.
 - General concept is that the impacts arrive with the drilling, but the funding is delayed by the 18 months oil and gas production incentive.
 - Allows oil and gas to be part of the bonding base.
 - *Amendment to 150% smallest schools*

- **Alignment of natural resource development and school and taxpayer success: (attachment 9)**
 - Excess state land revenues are split 50%-50% for tax relief and school facilities repairs via the Guarantee Account.
 - Distribution is by the quality educator as this method is considered most equitable by the overall school group.
 - 50% to reduce BASE property taxes
 - 50% to address facilities deficiencies cited in the Department of Administration Facilities Study
 - Money is distributed to miscellaneous program fund so as to ensure flexibility.



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SB175 - Fiscal Note for Senate Floor

02/06/13

Fiscal Note Item	Provision	FY 2014 Cost	FY 2015 Cost	Biennial Cost
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NA Inflation (0.89% in FY 2014; 2.08% in FY 2015)

24-25 Inflation on 5 Components (Starts in FY 2016)

13 Data for Achievement Payment (\$20 per ANB)

17-23 Basic Entitlement (Elem 250ANB; MS 450ANB; HS 800 ANB)

14-16; 31-36 Natural Resource Development K-12 Funding Payment

NRD Payment - State Cost

NRD Payment - GTB Savings

Excess Interest and Income

Require districts to budget only 25% of oil and gas revenue

Count Students 3 times a year

Unusual Enrollment Increase of the lower of 4% or 25 ANB

Share Excess Oil and Gas with Neighboring Districts

Implementation Costs

Computer System - OPI

Total Cost

OBPP Amended Fiscal Note

In SB 175 but is Present Law, See Below

NA	-	-	-	-
24-25	2.9	2.9	2.9	5.9
13	11.5	17.0	17.0	28.5
17-23	48.8	49.7	49.7	98.5
14-16; 31-36	(25.5)	(26.3)	(26.3)	(51.8)
39-40	-	-	-	-
41-51	0.8	0.8	0.8	1.6
56-60	-	0.4	0.4	0.4
61-62	7.6	8.2	8.2	15.8
70-74	8.2	7.4	7.4	15.6
Page 9-10,12	0.5	0.5	0.5	1.0
Page 12	2.5	2.5	2.5	5.1

\$57.35 \$63.27 \$120.61

\$57.35 \$63.26 \$120.61

Senate Bill 175, Sponsor's Amendments

Explanation and Anticipated Fiscal Impact

The amendments prepared for the House's consideration of Senate Bill 175 have three primary purposes.

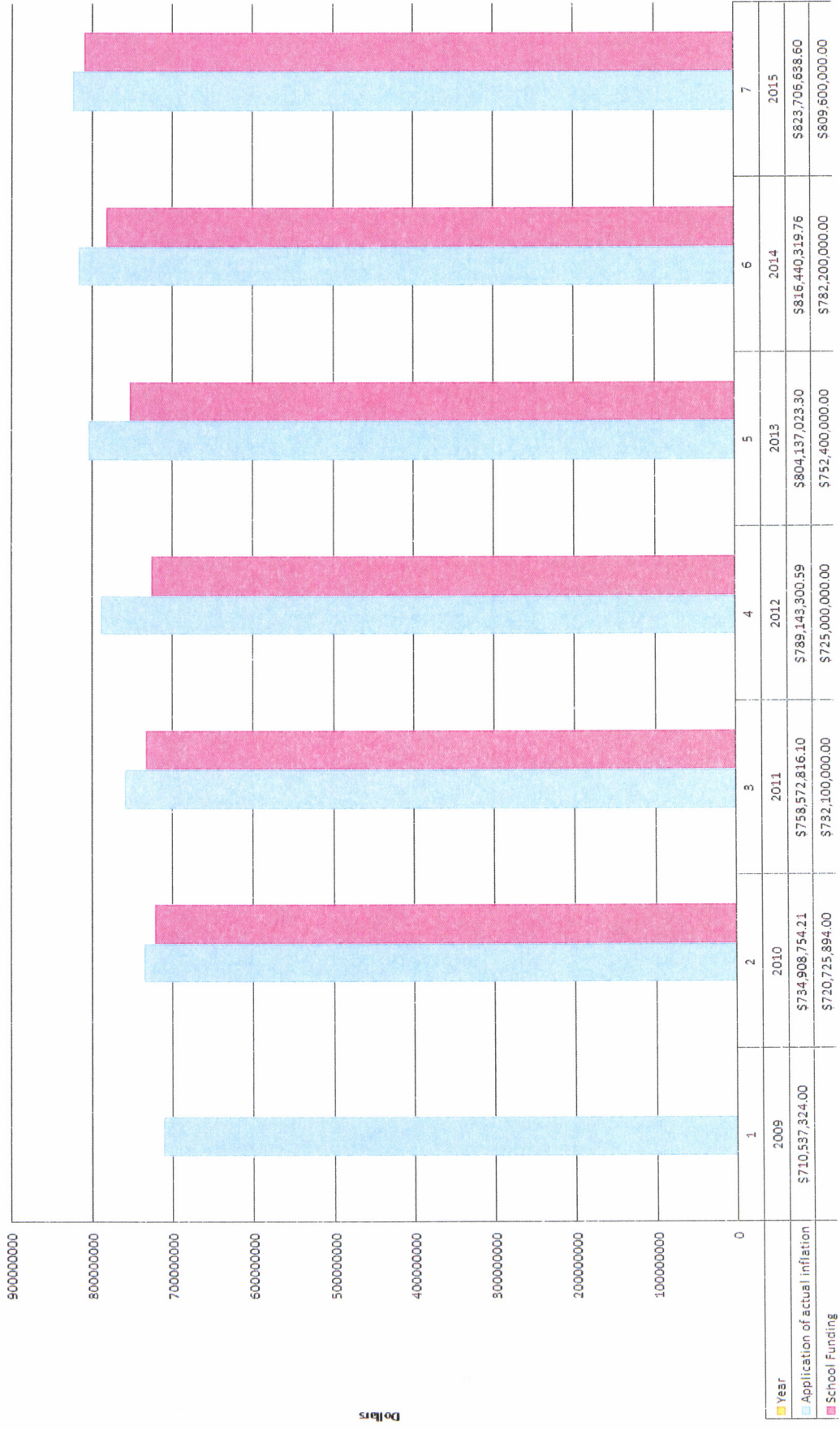
1. The first and most significant purpose of these amendments is to bring the cost of Senate Bill 175 down to an amount that can be funded without creating structural balance problems for the State General Fund. The combined effect of these amendments will save approximately \$52 million off of the bill as introduced, bringing the total state general fund cost down from \$120.6 million to \$65.6 million.

Item in Senate Bill 175	FY14	FY15	Biennial
Current SB 175	\$57,354,925	\$63,256,205	\$120,611,130
Savings from adjustment from change in NRD payment to freeze rather than reduce property taxes	\$20,524,881	\$20,206,565	\$40,731,446
Savings from adjustment from change in Unusual Enrollment to trigger at 4% or 40 and provide funding for enrollment increases above threshold only	\$5,404,948	\$5,893,143	\$11,298,091
Savings from Sponsor's House Amendments	\$25,929,829	\$26,099,708	\$52,029,537
Estimated Revised Fiscal Note for State General Fund	\$31,425,096	\$37,156,497	\$68,581,593

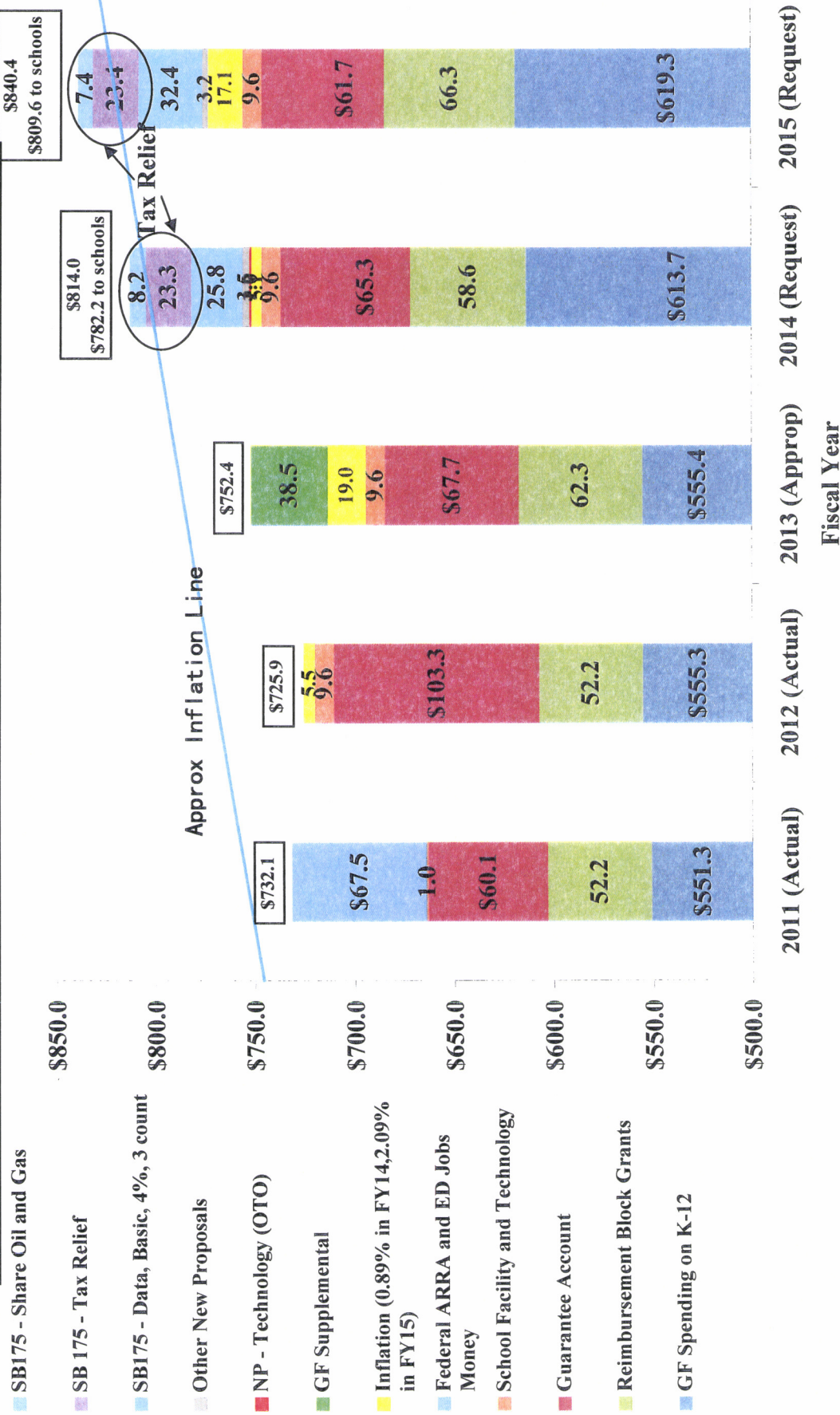
2. The second purpose is to conclusively address and resolve technical notes that remain in the fiscal note as revised for the Senate Third Reading Version of Senate Bill 175.
3. The third purpose is to address a couple of remaining oil and gas impact issues, specifically:
 - a. Provide temporary additional flexibility for smaller school districts (those with max budgets below \$1 million), by allowing such districts to retain up to 150% of their max budget in oil and gas revenues for a three year period; and
 - b. Provide for a distribution method for funding distributed to schools under the County Oil and Gas Impact Fund to address a concern of the Montana Association of County Officials.
4. I will also be requesting a reduction to the \$6 million of technology money in my bill per OPI request (misunderstanding of the Data Payment).

Attachment 2

State Share of School Funding compared to actual inflation with SB175

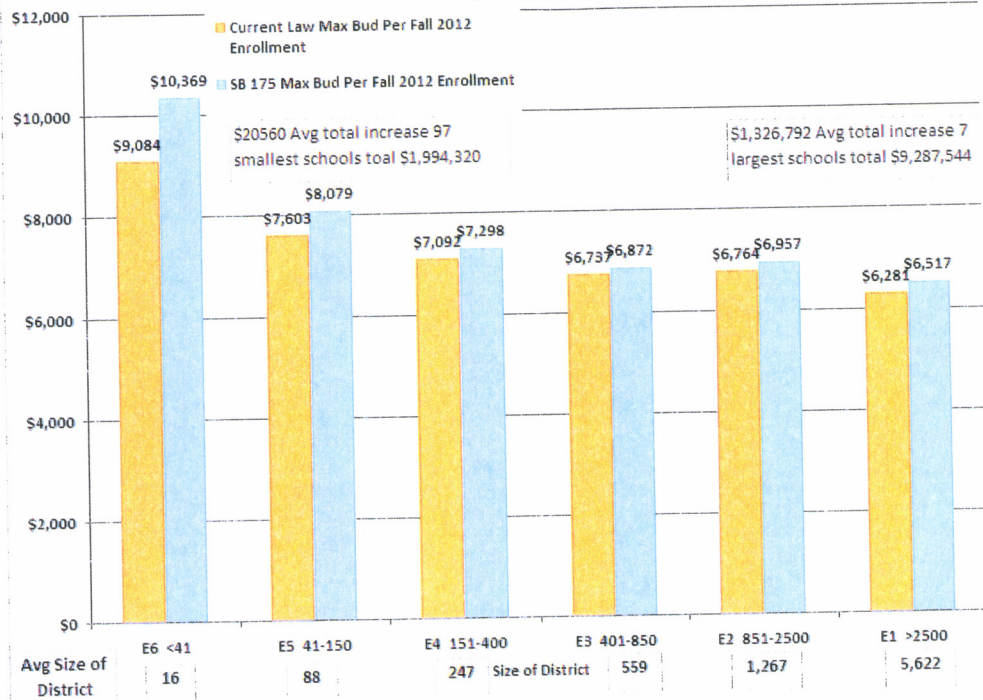


OPI's K-12 Funding - FY 2011 - FY 2015 - Subcommittee Action with SB 175 (Senate Ed)- Millions

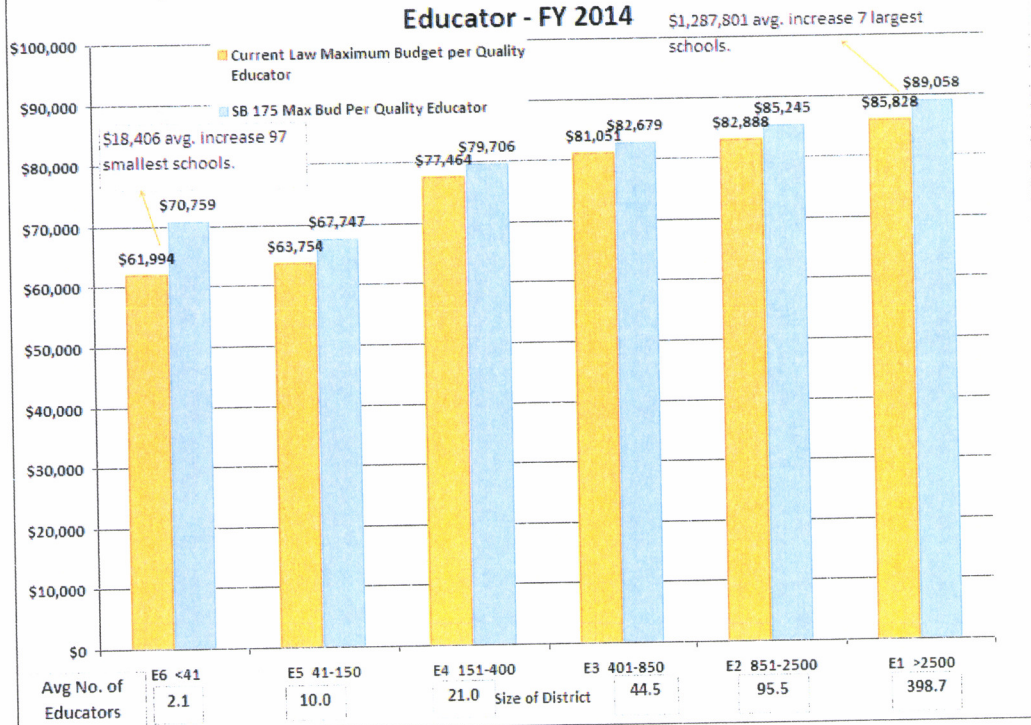


SB175, once its tax reductions (top of 2014 and 2015) are removed, still is not sufficient to provide schools with the state funding that reflects actual inflation increases from 2009 forward. In 2015 the amount is still \$14 million short.

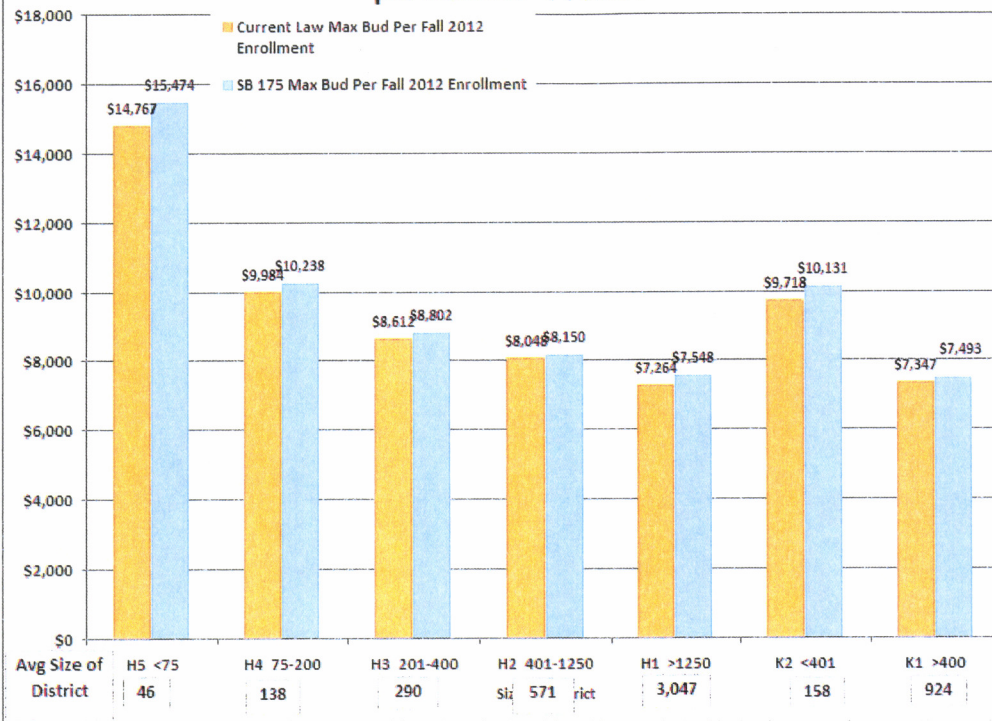
Impact of SB 175 on Elementary Maximum Budgets per Student - FY 2014



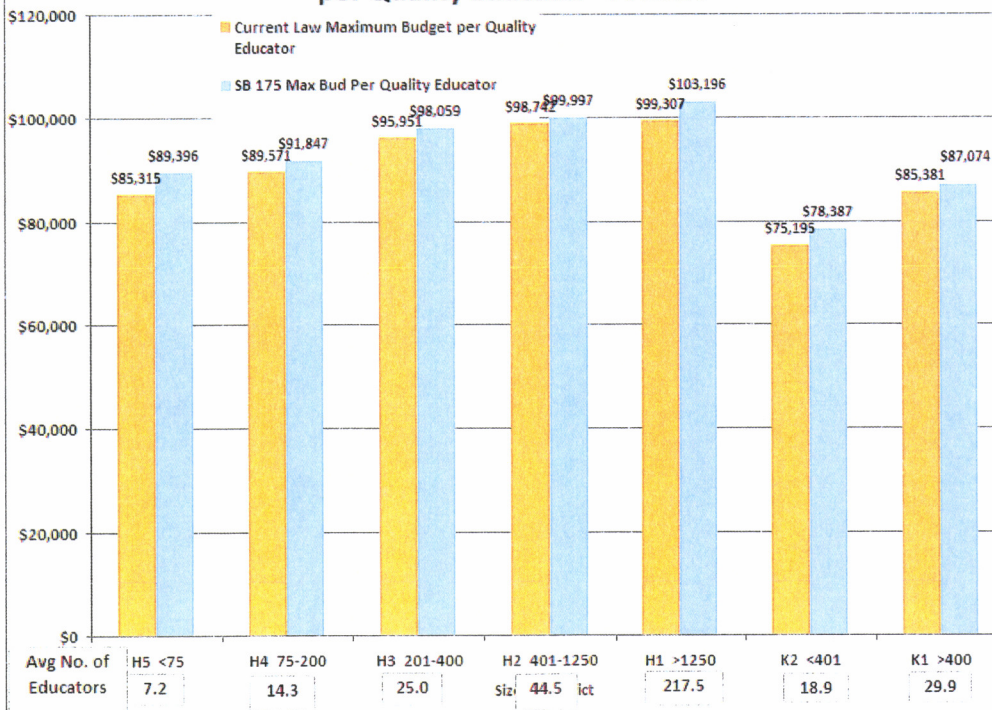
Impact of SB 175 on Elementary Maximum Budgets per Quality Educator - FY 2014



Impact of SB 175 on High School and K-12 Maximum Budgets per Student - FY 2014



Impact of SB 175 on High School and K-12 Maximum Budgets per Quality Educator - FY 2014



Equity in Educational Funding

The combination of three key factors drive equity in school funding: 1) Base Entitlement or per school, 2) Quality Educator or per classroom 3) Average Number Belong or per student.

Equity is a matter of perspective and a matter of which variable is utilized. In the most recent lawsuits, Columbia Falls I&II, the courts found the current variables and formula to be equitable. Throughout the discussions on SB175, from large to small, from east to west, the vast majority of all schools are supportive of how the combination of funding factors utilized. Obviously, depending upon personal perspective, different arguments do exist, but there is proven merit in the current factors.

Equity Thoughts per smallest elementary school classroom (quality educator):

Avg of 97 smallest K-6 Elementary Schools (<41)

Avg Number of students		16
Avg. Number of Quality Educators		2.1
Rough student per classroom		7.6
Fund per student	\$	10,369.00
Funds per Quality Educator (Classroom)	\$	70,759.00

Equity Thoughts per largest elementary school classroom (quality educator):

Avg of 7 largest K-6 Elementary Schools (>2500)

Avg Number of students		5622
Avg. Number of Quality Educators		398.7
Rough student per classroom		14.1
Funds per student	\$	6,517.00
Funds per Quality Educator (Classroom)	\$	89,058.00

Under the assumption that the number of quality educators is approximately the number of classrooms

Largest Schools have approximately \$18,300 more per classroom

Largest Schools have approx. \$3850 less per student

Equity Thoughts per smallest High School classroom (quality educator):

Avg of 36 smallest High Schools (<75)

Avg Number of students		46
Avg. Number of Quality Educators		7.2
Rough student per classroom		6.4
Fund per student	\$	15,474.00
Funds per Quality Educator (Classroom)	\$	89,396.00

Equity Thoughts per largest High School classroom (quality educator):

Avg of 7 largest High Schools

Avg Number of students		3047
Avg. Number of Quality Educators		217.5
Rough student per classroom		14.0
Funds per student	\$	7,548.00
Funds per Quality Educator (Classroom)	\$	103,196.00

Under the assumption that the number of quality educators is approximately the number of classrooms

Largest High Schools have approx. \$14,000 more per classroom

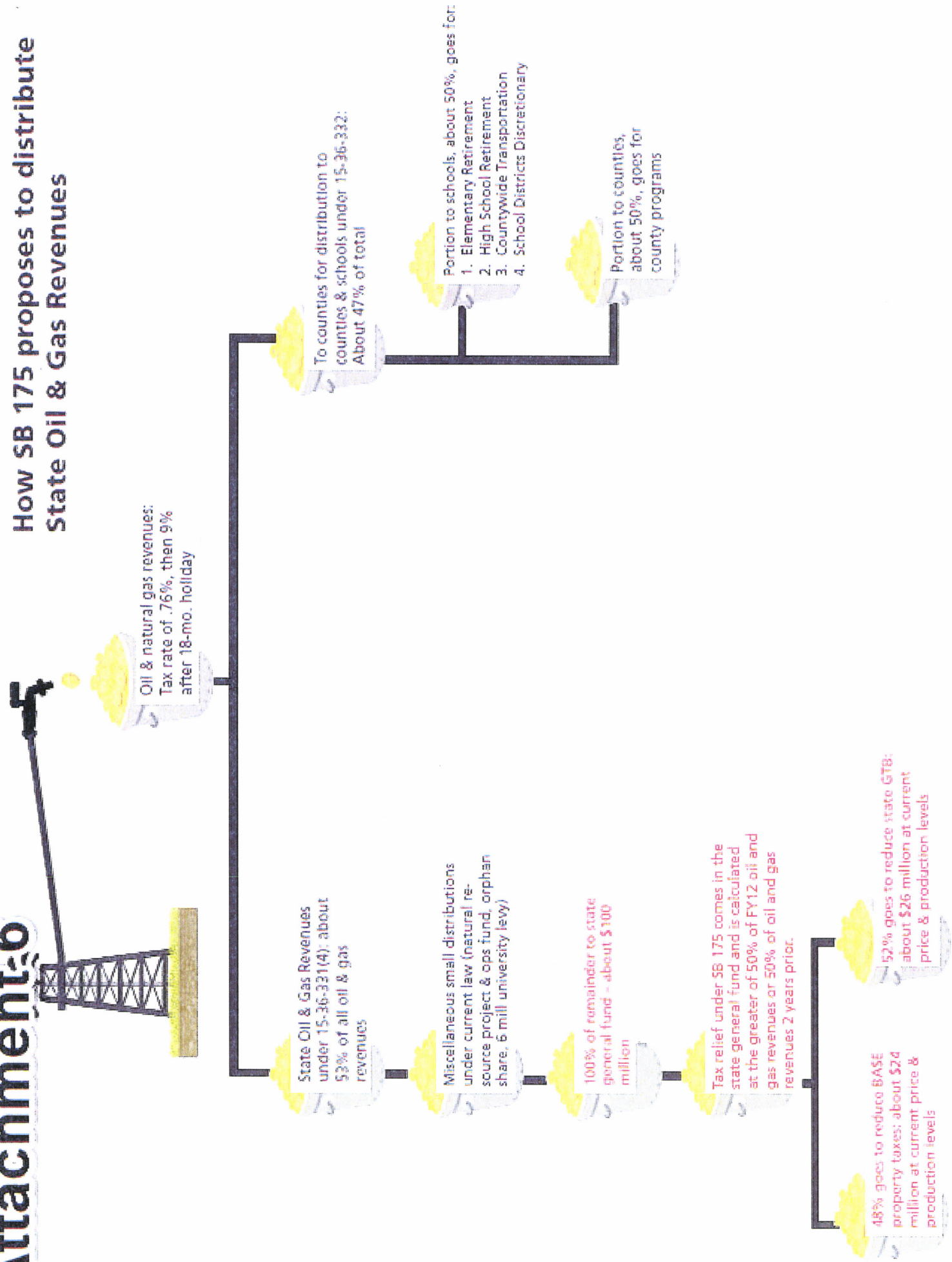
Largest High Schools have approx. \$8000 less per student

Billings Example of Unusual Enrollment Impacts Mechanism

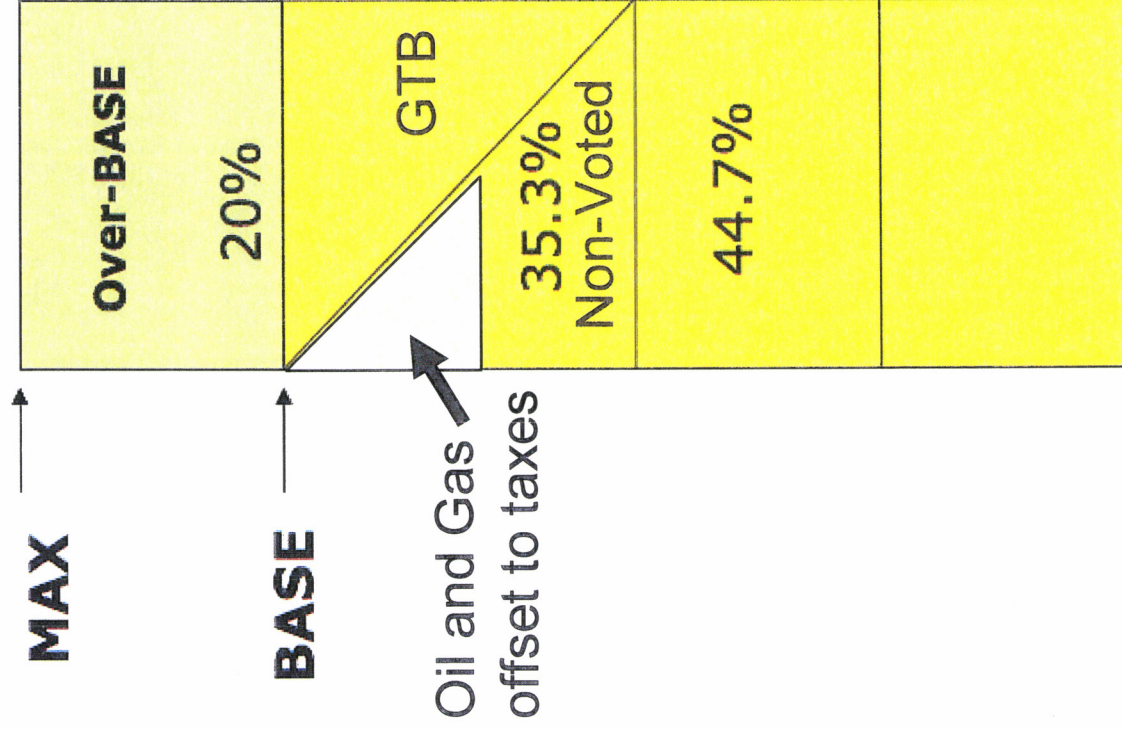
	Present Law FY 2014	W/4% or 25 ANB Budget Adjustment	Difference	Additional Anticipated Students	Adding Basic Entitlement & Data for Acievement	Increase due to Basic entitlement and DFA payment
Maximum Budget Billings Elementary	\$69,139,099	\$70,944,436	\$1,805,338	352	72,098,322	\$1,153,886
Maximum Budget Billings High School	\$37,525,076	\$38,883,875	\$1,358,799	212	39,724,147	\$840,272
Total			\$3,164,136			\$1,994,158
			\$5,158,294			

Attachment 6

How SB 175 proposes to distribute State Oil & Gas Revenues



Funding the Maximum Budget



Local Mills, Tuition, Excess Reserves
Voted Mills

Local Mills = Non-Voted, Permissive
Guaranteed Tax Base Aid
Fund Balance Re-appropriated
Non-Levy Revenue

Direct State Aid

basic entitlement and total per-ANB entitlement

100% Quality Educator Payment
100% At-Risk Student Payment
100% Indian Ed for All Payment
100% Amer. Indian Achvmnt Gap Payment
140% Special Ed Allowable Cost Payment

Attachment 7

Net Impact on School Tax Liability of 1) the New Basic Entitlement in SB 175 and 2) the Natural Resource
Payment of \$48.8 Million in SB 175 - FY 2014

Statewide		Beaverhead	\$ (144,326)
		Big Horn	\$ (174,487)
		Blaine	\$ (93,371)
Centrally Assessed	(\$3,907,693.00)	Broadwater	\$ (101,958)
		Carbon	\$ (279,480)
Commercial	(\$2,870,770.00)	Carter	\$ (30,854)
		Cascade	\$ (1,266,087)
Residential	(\$9,311,581.00)	Chouteau	\$ (133,751)
		Custer	\$ (115,361)
Ag and Timber Land	(\$1,055,865.00)	Daniels	\$ (68,396)
		Dawson	\$ (151,588)
All Other	(\$1,969,050.00)	Deer Lodge	\$ (164,243)
		Fallon	\$ -
Total	(\$19,114,960.00)	Fergus	\$ (187,262)
		Flathead	\$ (2,259,334)
		Gallatin	\$ (2,079,238)
		Garfield	\$ (13,946)
		Glacier	\$ (203,453)
		Golden Valley	\$ (28,675)
		Granite	\$ (82,957)
		Hill	\$ (250,697)
		Jefferson	\$ (217,346)
		Judith Basin	\$ (70,535)
		Lake	\$ (514,009)
		Lewis & Clark	\$ (1,016,544)
		Liberty	\$ (74,834)
		Lincoln	\$ (322,360)
		Madison	\$ (189,335)
		McCone	\$ (44,526)
		Meagher	\$ (55,732)
		Mineral	\$ (93,330)
		Missoula	\$ (1,795,676)
		Musselshell	\$ (98,726)
		Park	\$ (328,653)
		Petroleum	\$ (11,274)
		Phillips	\$ (85,696)
		Pondera	\$ (91,219)
		Powder River	\$ (46,685)
		Powell	\$ (101,442)
		Prairie	\$ (32,916)
		Ravalli	\$ (779,113)
		Richland	\$ (72,401)
		Roosevelt	\$ (251,441)
		Rosebud	\$ (269,690)
		Sanders	\$ (259,639)
		Sheridan	\$ (90,833)
		Silver Bow	\$ (626,787)
		Stillwater	\$ (300,599)
		Sweet Grass	\$ (120,863)
		Teton	\$ (150,902)
		Toole	\$ (170,131)
		Treasure	\$ (25,214)
		Valley	\$ (190,991)
		Wheatland	\$ (86,293)
		Wibaux	\$ (47,349)
		Yellowstone	\$ (2,652,412)

Area Examples of Small Business and Residence

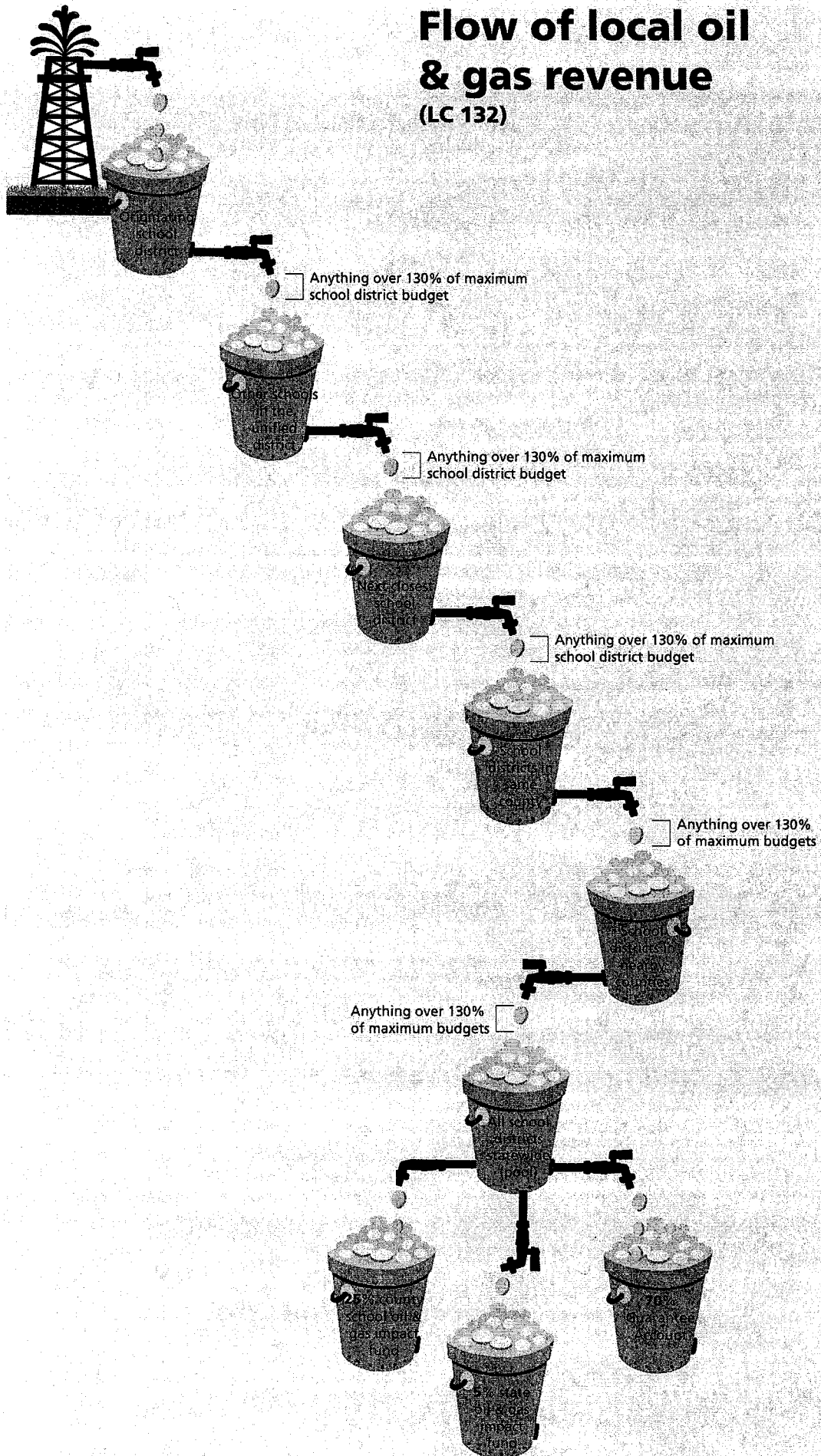
This chart shows the reduction in all property taxes of approx. 24 million dollars annually for a variety of small business employers and residences. The key concept in the school permissive tax cut is:

- 1) School property taxes have grown at 2X the rate of inflation since 1991.
- 2) This is a cut to permissive (non-voted) school mills. It actually cuts non-voted school mills that are in the schools general fund by 20%.
- 3) Tax cut is permanent and linked to growth in O&G..over time this could become very substantial as it has in other states.

County	Town	Owner	Type	Appraised Value	Tax Reduction Due to SB 175			
					Exemption	Tax Rate	Red Mills	Red Taxes
Lake	Polson	Residence	Land	\$ 97,993.00	45.50%	2.54%	8.38	\$11.37
		Residence	Building	\$ 196,520.00	45.50%	2.54%	8.38	\$22.80
				\$ 294,513.00	45.50%	2.54%	8.38	\$34.16
Lake	Polson	Glacier Brewing Co.	Land	\$ 53,625.00	20.30%	2.54%	9.32	\$10.12
		Commercial	Building	\$ 224,425.00	20.30%	2.54%	9.32	\$42.34
		Glacier Brewing Co.	Land	\$ 53,625.00	20.30%	2.54%	9.32	\$10.12
				\$ 331,675.00	20.30%	2.54%	9.32	\$62.58
Flathead	Kalispell	Residence	Land	\$ 143,923.00	45.50%	2.54%	8.76	\$17.45
		Residence	Building	\$ 207,200.00	45.50%	2.54%	8.76	\$25.13
				\$ 351,123.00	45.50%	2.54%	8.76	\$42.58
Flathead	Kalispell	Sykes	Land	\$ 149,225.00	20.30%	2.54%	9.11	\$27.52
		Commercial	Building	\$ 124,275.00	20.30%	2.54%	9.11	\$22.92
		Sykes	Land	\$ 149,225.00	20.30%	2.54%	9.11	\$27.52
			Building	\$ 8,200.00	20.30%	2.54%	9.11	\$1.51
		Sykes	Land	\$ 149,225.00	20.30%	2.54%	9.11	\$27.52
			Building	\$ 8,100.00	20.30%	2.54%	9.11	\$1.49
		Sykes	Land	\$ 149,225.00	20.30%	2.54%	9.11	\$27.52
			Building	\$ 476,400.00	20.30%	2.54%	9.11	\$87.86
		Sykes	Land	\$ 149,225.00	20.30%	2.54%	9.11	\$27.52
			Building	\$ 1,312,640.00	20.30%	2.54%	9.11	\$242.08
				\$ 2,675,740.00	20.30%	2.54%	9.11	\$493.46
Phillips	Malta	Residence	Land	\$ 10,860.00	45.50%	2.54%	7.05	\$1.06
		Residence	Building	\$ 208,110.00	45.50%	2.54%	7.05	\$20.31
				\$ 218,970.00	45.50%	2.54%	7.05	\$21.37
Phillips	Malta	GN Motor Inn	Land	\$ 11,270.00	20.30%	2.54%	7.64	\$1.74
		Commercial	Building	\$ 938,830.00	20.30%	2.54%	7.64	\$145.20
				\$ 950,100.00	20.30%	2.54%	7.64	\$146.94
Yellowston	Billings	Residence	Land	\$ 108,744.00	45.50%	2.54%	9.13	\$13.74
		Residence	Building	\$ 336,156.00	45.50%	2.54%	9.13	\$42.49
				\$ 444,900.00	45.50%	2.54%	9.13	\$56.23
Yellowston	Billings	Red Lobster	Land	\$ 1,018,763.00	20.30%	2.54%	8.21	\$169.32
		Commercial	Building	\$ 529,837.00	20.30%	2.54%	8.21	\$88.06
				\$ 1,548,600.00	20.30%	2.54%	8.21	\$257.38
Hill	Havre	Residence	Land	\$ 46,848.00	45.50%	2.54%	9.16	\$5.94
		Residence	Building	\$ 274,852.00	45.50%	2.54%	9.16	\$34.85
				\$ 321,700.00	45.50%	2.54%	9.16	\$40.79
Hill	Havre	IGA Store	Land	\$ 104,914.00	20.30%	2.54%	9.38	\$19.92
		Commercial	Building	\$ 2,388,900.00	20.30%	2.54%	9.38	\$453.62
				\$ 2,493,814.00	20.30%	2.54%	9.38	\$473.54

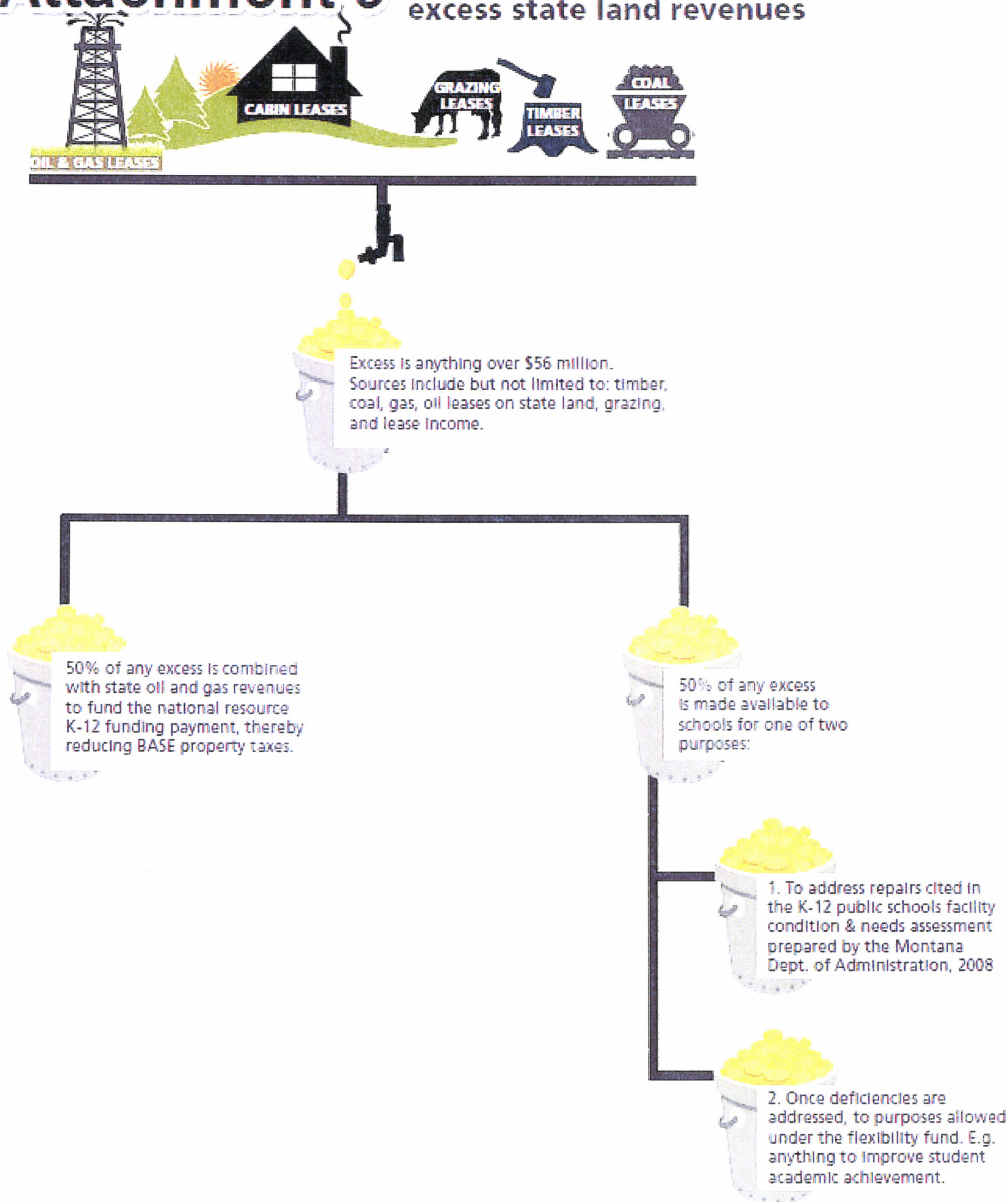
Flow of local oil & gas revenue

(LC 132)



Attachment 9

How SB 175 proposes to distribute excess state land revenues



What does this bill have to do with the Common Core?

My intent in this bill was to bring school funding back towards the inflation line to compensate for significant shortfalls that were generated when the Legislature was unable to meet funding due to the Great Recession impacts. I did not want to create a scenario where there were increases in this bill for schools and subsequent increases in other areas of the state budget, as that was not affordable to the Legislature. As such, my intent was to make it very clear that the increases in this bill, irrespective of the fact that these increases do not bring schools even fully back to inflation, are what will be received to implement any educational programs local control chooses to adopt. There will be no additional sources for school to address Common Core, so this must suffice.

Who has responsibility to adopt standards?

1. The BPE (Board of Public Education) adopted the Common Core. Under Constitutional Authority from Article X, Section 9 (3) (a) There is a board of public education to exercise general supervision over the public school system and such other public educational institutions as may be assigned by law.
2. Initially, through numerous pathways, including in Section E of HB2 at \$34 million, there were proposals to have the Legislature direct funding towards schools to implement the BPE's decision.

Irrespective of how you feel about the Common Core, the BPE did adopt it. The Legislature did need to speak to it in some manner. If it is troublesome to anyone that I capped the amount of what schools could request for Common Core, then remove the one line that speaks of Common Core for comfort's sake. But be aware that, in doing so, you open up the door for additional direct funding requests for BOPE Common Core.

This bill is about enhancing student achievement. This bill is about recognizing that schools shared the pain of not receiving funding due to their inflation formula's lag 3 year lag, and that, when their formula pointed to the high, we gave them the low, now that it points to the low, we are trying to get them part way back. **This bill is about reforms on seat time, local control, information, and on impacts that are crucial to student achievement across Montana. This bill is not about a testament for or against the Common Core.** I know there are those that wish to make it so, and there are those that look for a forum to speak on this issue, but this is not the platform.